



OFFICE OF THE CONTROLLER

***Luzerne Borough***  
***Real Estate Tax Collector Audit***  
***for***  
***January 1, 2022- December 31,2022***  
***Tax Collection Period***  
***John P. Lohman, Tax Collector***  
***May 22, 2023***

**Walter L. Griffith, Jr.**  
**Luzerne County Controller**

**Fieldwork performed by:**  
**Melissa Jones**

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## **INTRODUCTION:**

The real estate property tax is the largest source of revenue funding Luzerne County. An independently elected tax collector, the Treasurer's Office, or an appointed tax-collecting officer for each municipality collects this tax. The rate of taxation for Luzerne County (County) is called the "millage". In 2022, the tax millage was 6.1696.

Elected or appointed tax collectors are responsible for collecting real estate taxes for the County and municipalities. School district taxes are billed and collected separately. The tax collector is required to submit a Department of Community and Economic Development (DCED) tax collection report and all county monies collected to the Luzerne County Treasurer by the tenth of the month following collection.

The Local Tax Collection Law establishes the discount and penalty schedule. The calculation of the cutoff dates listed below are determined by the postmark date on the payment envelope.

Discount period - Tax payments within two months of the date of the sent bill receive a 2% discount.

Face period – Taxes paid and received by collector after the first two months and before the 120<sup>th</sup> day pay at face value.

Penalty period -payments received by the tax collector after the 120<sup>th</sup> day are assessed a 10% penalty.

Tax Claim - If the taxpayer does not pay his real estate taxes by December 31, the taxes become delinquent, and the tax collector may no longer accept payment from the taxpayer. When settlement of tax records is completed by January 10<sup>th</sup> of the subsequent year, the tax collector submits unpaid tax parcels to Elite Revenue Solutions who oversees the Tax Claim Bureau.

Municipal tax collectors are elected to serve a four-year term and are responsible for collecting various taxes that vary by municipality (per capita, streetlights, fire hydrants, County, municipal, school real estate, etc.). The tax collector must have been a resident of the municipality for at least one year prior to the election and must continue to reside there throughout his/her term.

All tax collectors must provide a bond (insurance) to secure the taxing districts against any losses of tax funds. The cost of the bond is split among the three taxing authorities, with the county, school, and municipality paying their portion. Luzerne Borough tax collector's surety bond coverage for 2022 was \$928,206. The County's portion for the bond to cover this tax collector was \$175 which was confirmed to be paid on 02/11/2022, per the County's accounting system, New World Systems (New World).

## **OBJECTIVE:**

The objective of the review was to determine if monies were properly collected and then transferred to the Luzerne County Treasurer's Office for Luzerne Borough for the tax year 2022. The tax collector audit is to identify and evaluate tax collection policies and procedures. To obtain limited assurance on the amounts submitted to the Treasurer by the tax collector. To identify areas of improvement and make recommendations.

The Luzerne County Controller's Office is authorized by the Home Rule Charter of Luzerne County (Charter) Section 3.08 to conduct fiscal, performance, management, contract, grant, compliance, and/or related audits of any County division, department, bureau, office, agency, authority, board, commission, elective office, the Judiciary, Office of Court Administration, or other administrative unit. This review is an internal function, authorized by the Charter. The Controller will also follow up on any audit recommendations, to the extent practical, to determine if they have been considered and/or implemented. Luzerne County Controllers Office Auditors report directly to the elected Controller. The audit staff is organizationally independent to conduct and report on the audit.

## **SCOPE:**

In order to accomplish the objectives, the Controller's Office obtained the following:

- Copies of paid taxpayer real estate tax receipts
- Copies of monthly deposit tickets
- All *original* bank statements (including 2023 statements, where 2022 checks have cleared)
- Copies of cancelled checks or bank printout of selected items
- RBA reports, including Returns reports, Collections reports, Batch Proof Report, and Exoneration reports.
- Real Estate Tax Duplicate book
- Copy of surety bond Copy of "Appointment of Deputy Tax Collector" for

Elite Revenue Solutions provided a list of delinquent taxes for the year 2022. The "Top Copy" of the Returns Report is reviewed for signature and certification of the total taxes returned for collections. Delinquent taxes were verified through the Tax Collector's Returns report.

*Additional Information and Description of terms:*

**RBA** – “Robert K. Bailey and Associates”, the software system used by tax collectors and the County to record and process taxpayer payments.

**Returns report** – the list of properties containing bill number, names, addresses, and amount of taxes not paid; these properties were sent to Elite Revenue Solutions (also known as Tax Claim) for non- or under-payment.

**Collections report** – the list of all properties, including bill number, names and amount paid by taxpayer.

**Settlement report** – is run on a year-to-date basis once the tax year is closed which occurs by January 15. The report includes all types of transactions that occur throughout the year and provides the net cash collected by the Tax Collector which is then reconciled to county deposits.

**Exoneration report** – the list of properties that received an abatement, or a reduction, in the amount owed.

**Department of Community and Economic Development (DCED) Report** – summary of all monies collected in the prior month. This report is required to be submitted to the Luzerne County Treasurer and the municipality where they are elected or appointed with the accompanying checks.

**Batch Proof report** – listing of properties processed as paid by batch and date.

**Real Estate Tax Duplicate book** – a bound detailed listing of all properties for which the tax collector collects monies.

**New World Systems** – the accounting software system used by the county to record assets, liabilities, receipts, and disbursements.

## **PROCEDURES:**

Dual testing consists of sampling tax receipts for accuracy, timeliness and proper receipt to the County and testing policies and procedures simultaneously. The internal controls are the responsibility of the tax collector and the County based on established policies and procedures. Because of the inherent limitations in sampling, the evidence provides limited assurance on the audit outcome and there is always a risk that fraud, abuse or misappropriation of assets can occur and go undetected.

In 2022, Luzerne Borough assessed value was \$101,569,200 with a total of 1,236 parcels. Luzerne County is comprised of 76 taxing districts.

- 1) Tax Collector's Report and DCED Report are submitted, signed and dated monthly with timely submittal to County of proceeds and accurate recording of taxpayer's payments in the duplicate.**

Description of procedures tested:

The tax collector keeps the Duplicate Book in a dedicated binder and when the property owner makes payment, the tax collector records the date and amount paid in the Duplicate Book. Also, any pertinent information, including how payment was made (e.g., check, escrow account) is noted. This serves as a double check and makes it easier to locate any discrepancies.

The tax collectors are required to submit monthly electronic reports, abatements, refunds and payment vouchers to Luzerne County. Monthly summary reports to the County must be made on the Department of Community and Economic Development (DCED)-approved reports.

The Controller's Office compared the amounts shown in New World Systems (NWS or New World) (otherwise referred to as "receipts" received by the County) to the amounts shown on reports submitted (otherwise referred to as amounts "collected" by the tax collector). The Controller's Office verifies if the amounts are accurate and submitted timely and verifies net payments utilizing the DCED reports as well as the final YTD Settlement Report which summarizes net payments following the close of the Tax Year.

**Findings – No Findings - Tax Collector properly utilizes the duplicate book and county taxes collected reconcile to deposits.**

- 2) Verify accurate commissions were paid to tax collector.**

Collection and Settlement reports are compared to payment history in New World Systems. No discrepancies were found.

**3) Review amounts owed to Luzerne County for accuracy.**

The Controller's Office creates an Excel spreadsheet unique to the details of each municipality. We then compare monthly totals taken from the RBA Collection reports maintained by the tax collector as well as from the year end Settlement Report which incorporates all adjustments made during the year. This amount is then compared to the funds disbursed to the County and reported in the New World Financial Systems. Amounts submitted to the County must be deposited by the 10<sup>th</sup> of the month.

**Findings: Total deposits for 2022 reconciled with the Year-to-Date Settlement Report.**

**4) Review payments of taxpayer for proper period payment (discount, face or penalty)**

The Controller's Office sampled Batch Proof reports for amounts paid by taxpayers and traced to the original check or payment.

**Findings: No discrepancies were found. Discounts, face and penalty amounts were applied accurately.**

**5) Verify the number of parcels sent to Elite Revenue Solutions**

The Audit also included comparing the Real Estate Duplicate book to the Returns report. If all tax payments were processed correctly, those properties with unpaid taxes in the Duplicate book should match those properties shown on the County's Return Report and Elite Revenue Solutions tax claims report for 2022.

**Findings: None**

**OVERALL FINDINGS, RECOMMENDATIONS AND OBSERVATIONS:**

- 1. The Luzerne Borough Tax Collector retained thorough records. County taxes collected and deposited were reconciled to the Tax Collectors detail records with no difference.**

**Luzerne Borough**  
**John P. Lohman, Tax Collector**  
**Statement of Cash Receipts and Disbursements**  
**For the period January 1, 2022 thru December 31, 2022**  
**Exhibit-A**

Receipts:

County by Tax Collector	\$ <u>574,303</u>	
Total Receipts		\$ 574,303

Disbursements  
(County Deposits):

February	\$ 0
March	\$ 2,604
April	\$ 178,260
May	\$ 317,910
June	\$ 7,956
July	\$ 37,751
August	\$ 1,934
September	\$ 1,825
October	\$ 5,323
November	\$ 1,203
December	\$ 6,161
January	\$ <u>13,376</u>

Total Disbursements to County \$ 574,303

Balance \$ 0



**Please Note:**

**Luzerne County Home Rule Charter: Section 3.08 (C) 3**

***The audited entity shall respond in writing, specifying agreement with the audit findings and/or recommendations, by signing the document and returning it to the Controller's Office before the required deadline, or the reasons for disagreement with the findings and/or recommendations, along with any timetable for implementing remedies. The response shall be provided to the Controller within 14 days after the audited entity's receipt of the draft audit. The Controller shall include the audited entity's response in his/her final audit report.***

**Please respond to this audit as prescribed, by 5:00 pm, June 5, 2023.**

**Signature Page  
Luzerne Borough  
Final Audit  
Tax Year 2022**

**Controller's Office:**

**Walter Griffith**

May 23, 2023

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Walter L. Griffith Jr., Controller

Date

**Melissa Jones**

May 23, 2023

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Melissa Jones, Auditor

Date

**County Manager's Office:**

**Brian A Swetz**

May 24, 2023

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Brian Swetz, Acting County Manager

Date

**Luzerne Borough President Borough Council:**

**Michael Jancuska**

May 23, 2023

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Michael Jancuska, President Borough Council

Date

**Luzerne Borough, Tax Collector:**

**John P. Lohman**

May 23, 2023

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John P. Lohman, Tax Collector

Date

**Luzerne Borough  
Tax Collection Final Audit  
Tax Year 2022**


This report was initially distributed to the following:

Mr. Brian Swetz	Acting Luzerne County Manager
Ms. Kendra Radle	Luzerne County Council Chair
Mr. Michael Jancuska	Luzerne Borough, President Borough Council
Mr. John P. Lohman	Luzerne Borough, Tax Collector

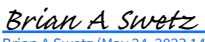
This report is a matter of public record and is available online at <http://www.luzernecounty.org>, found under Audit Reports on the Luzerne County Controller's section of the website. A hardcopy is also available at the Luzerne County Controller's Office. Media questions about the report may be directed to the Luzerne County Controller's Office at 20 North Pennsylvania Blvd., Suite 213, Wilkes Barre, PA 18701 or via email to [Controllers.Office@luzernecounty.org](mailto:Controllers.Office@luzernecounty.org).

**Signature:**   
**Email:** melissa.jones@luzernecounty.org

**Signature:**   
**Email:** walter.griffith@luzernecounty.org

**Signature:**   
John P. Lohman (May 23, 2023 13:09 EDT)  
**Email:** luzborotax@aol.com

**Signature:**   
Michael Jancuska (May 23, 2023 14:33 EDT)  
**Email:** luzerneborough@aol.com

**Signature:**   
Brian A Swetz (May 24, 2023 14:09 EDT)  
**Email:** brian.swetz@luzernecounty.org

# Luzerne Borough Tax Collection Audit 2022











## 05-15-2023


Final Audit Report

2023-05-24

Created:	2023-05-23
By:	Walter Griffith (walter.griffith@luzernecounty.org)
Status:	Signed
Transaction ID:	CBJCHBCAABAAFFofXb_nPCp2lsomebIE-UWm1whP0-mMZ

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 Email viewed by brian.swetz@luzernecounty.org

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 Signer brian.swetz@luzernecounty.org entered name at signing as Brian A Swetz

2023-05-24 - 6:08:59 PM GMT

 Document e-signed by Brian A Swetz (brian.swetz@luzernecounty.org)

Signature Date: 2023-05-24 - 6:09:01 PM GMT - Time Source: server

 Agreement completed.

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